

Board of County Commissioners Agenda Request

Date of Meeting: September 21, 2004
Date Submitted: September 15, 2004
To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator *PA*
Lillian Bennett, Director of Human Resources *LWB*
Subject: Renewal of Health Insurance Coverage for the 2005 Plan Year

Statement of Issue:

At the September 14, 2004 meeting, staff presented an agenda item requesting Board approval of the renewal rates and consideration of renewal options for the two group health insurance providers, Capital Health Plan (CHP) and Vista (formerly Health Plan Southeast) for the January 1, 2005 through December 31, 2005 plan year (Attachment #1). The Board continued the agenda item after a receipt of a proposal from United Health Care (United), a new provider to the Leon County service area, who is requesting Board approval to become a third provider of health insurance coverage for Leon County.

Background:

At the September 14, 2004 meeting, staff presented three (3) alternatives for Board consideration of health insurance coverage. Staff recommended Alternative #1, which maintains the current plan design, co-pays and health insurance providers (CHP and Vista) for the 2005 plan year (Attachment #1 – Table #2, page 3).

The County received an initial proposal from United Health Care (United) as another alternative to the County's current plan. The insurer is new to Leon County and their service area was recently approved (August 2004) by the Agency for Health Care Administration. United offers employers many plan options (Attachment #2). The plan design proposed to Leon County consists of an HMO and Point of Service (POS) plan. A POS plan is similar to a Preferred Provider Organization (PPO) in that both plans give the member the flexibility to access out of network benefits.

At the September 14, 2004 meeting, United presented a proposal requesting approval as a third provider of health insurance coverage for Leon County. The Board directed staff to review United's rate proposal and determine whether or not United should be included as a provider in addition to CHP and Vista.

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Analysis:

At the time in which the September 14, 2004 agenda item was written, United Health Care submitted an initial proposal. The proposal required United to become the sole health care insurance provider for Leon County. Based on this proposal, United indicated they could potentially save Leon County approximately \$1 million in health care coverage costs.

While the United cost proposal looks promising and the plan design appears to be comparable to what the County currently has, staff believes a major change of this magnitude, at this late date, would have a significant impact on the County's employees (Board and Constitutional). These impacts may include, but may not be limited to, the following:

- United has not fully established its physician and hospital network in Leon County. It is anticipated that the network will be completed by January 2005.
- Once the United network is fully established, a complete physician network analysis needs to be performed to determine which physicians will or will not be available as compared to the County's current providers (CHP and Vista). In addition, based on this analysis, an assessment will need to be made of the number of employees that will be required to select new medical providers.
- Thirty (30%) or approximately 440 employees of the County total participation base of 1467 employees are currently enrolled with staff doctors employed by CHP. These are not independent physicians, and accordingly, employees enrolled with CHP employed doctors will be required to select new providers within the United physician network.
- CHP informed staff that, currently, they have exclusive contracts with some independent medical providers which limit the acceptance of patients from only one HMO, namely CHP. Leon County needs to determine the impact of these contracts, who the providers are, and the number of employees impacted.
- Staff has not been given an opportunity to notify employees (Board and Constitutional) of any potential changes to a new health insurance coverage provider for the 2005 plan year.

Staff does not recommend United as a sole provider for the upcoming 2005 plan year. However, it is recommended that United be included in the County's Health Insurance Renewal negotiations process in preparation for the 2006 plan year.

Additional United Proposals

Since the initial proposal submitted by United and included in the September 14, 2004 agenda, United has submitted two additional proposals to Leon County. One additional proposal required that United become one of two health care providers for Leon County. This proposal required the elimination of either CHP or Vista as a health insurance provider. Staff does not recommend this option because of similar impacts, as outlined above, for a sole provider. The final proposal from United, received immediately prior to the start of the September 14, 2004 Board meeting, requested that United become an additional provider of health insurance coverage. Under this proposal, United would become the third provider of health insurance coverage for Leon County in addition to CHP and Vista.

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Third Provider Analysis

United has submitted a rate proposal as a third provider of health insurance coverage for Leon County (Attachment #3). United's rates are based on an enrollment of approximately 20% of the current participation base of 1467 employees. In the following table, monthly rates for United have been compared to those of CHP and Vista: (Please note that rates shown were provided by CHP and Vista prior to United's proposals as a third provider of health insurance coverage for the County).

Table #1
Comparison of 2005 Proposed Monthly Rates/Enrollment Levels
United, CHP and Vista

	United *	CHP**	Vista**
Single	\$ 373.96	\$ 392.50	\$ 407.64
Employee +1	774.10	812.50	843.74
Family	990.99	1040.20	1080.10
Current 2004 Enrollment Levels	0	1202	265
Proposed 2005 Enrollment Levels	293	962	212
Enrollee %/ # Inc/(Dec.)	20%/ 293	(20%)/ (240)	(20%)/ (53)
*Enrollment numbers based on United Health Care projections of 20% employee transfers from CHP and Vista. **Rates shown are contingent upon CHP and Vista participation with a third provider and originally proposed rates remaining the same.			

As reflected in Table #1, United's overall rate structure, as a third provider, is approximately 4.7% lower than CHP and 9% lower than Vista. However, these rate differences are not guaranteed into the future for any of the providers. Based upon United being added as a third provider, Table #2 below provides a comparison of annual cost by provider (with and without United), estimated gain/loss to each provider and potential cost savings to Leon County with the addition of United as a third provider.

Table #2
Comparison of Annual Cost
Potential Provider Gain / (Loss)
County Savings

	United *	CHP**	Vista**	Total
Annual Cost with Current providers (CHP and Vista)		\$ 11,225,840	\$ 2,403,058	\$ 13,625,898
Annual Cost with United as a Third Provider	\$ 2,576,102	\$ 8,978,272	\$ 1,922,446	\$ 13,476,820
Potential Provider Gain/(Loss)	\$ 2,576,102	(\$ 2,247,568)	(\$ 480,612)	\$ 149,078 County Savings
*Annual Cost estimates based on United projected enrollment of 20% of current participation. ** Estimates shown are contingent upon CHP and Vista participation with a third provider and originally proposed rates remaining the same.				

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As reflected in Table #2, if United is included as a third provider of health insurance coverage for Leon County, the County could potentially save approximately \$150,000. However, this is contingent upon United meeting its projected enrollment numbers of 20% or approximately 300 employees. Additionally, CHP and Vista could potentially lose 20% of its current participation base for a combined loss of \$2.5 million.

The plan designs for United, CHP and Vista are very comparable to the County's current plan design. Attachment #4 provides a side-by-side comparison of the plan designs and the differences in each. Also, attached is the 2003 AHCA HMO Report Card for Florida, which includes United, CHP and Vista (Attachment #5).

Contribution Strategies (Board Only)

As in years past, Leon County will continue to equalize the employee contribution for each plan offered. Staff recommends that the employee's percentage contribution requirement be applied to the CHP premiums to determine the rate to be paid, since approximately 82% of the workforce has currently elected CHP for their health plan.

Responses from CHP and Vista,

CHP and Vista have submitted written responses as to whether or not they will participate as one of three providers for Leon County (Attachment #6). CHP's response indicates that they cannot agree to be offered as one of three carriers for County employees due to the potential for adverse selection and instability of the risk pool. Vista's response indicates that they will participate as one of three providers. Based on the response from CHP, staff recommends that the Board not include United Health Plan as a third provider in the 2005 plan year. However, staff does recommend that a workshop is held early in the 2005 calendar year to discuss all possible options for health insurance coverage in Leon county prior to the next renewal period.

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Options:

1. Approve the renewal rates reflected in Alternative #1 (Attachment #1 Current HMO Plan) for the new plan year (January 2005 through December 31, 2005) for CHP and Vista as the only health insurance coverage providers and schedule a Board workshop in early 2005 to discuss all options for health insurance coverage for Leon County.
2. Approve the renewal rates reflected in Alternative #1 (Attachment #1 Current HMO Plan) for the new plan year (January 2005 through December 31, 2005) for CHP, Vista and include United Health Care as a third provider of health insurance coverage for Leon County (CHP will not participate as one of three providers).
3. Direct staff to include United Health Care in negotiations for the 2006 plan year for County Health Insurance Coverage.
4. Approve the renewal rates reflected in Alternative #2 (Attachment #1 Current HMO Plan – Increased Prescription Co-pays) for the new plan year (January 1, 2005 through December 31, 2005).
5. Approve the renewal rates reflected in Alternative #3 (Attachment #1 New Plan P – Increased Co-Pays Prescriptions and Services) for the new plan year (January 1, 2005 through December 31, 2005).
6. Board Direction.

Recommendation:

Option #1.

Attachments:

1. Agenda Item – September 14, 2004 Board meeting
2. United Health Care Company Background
3. United Health Care Rate Proposal
4. Plan Design Comparisons, United, CHP and Vista
5. AHCA 2003 HMO Report Card for Florida
6. Responses from CHP and Vista on Participation

Board of County Commissioners Agenda Request

Date of Meeting: September 14, 2004
Date Submitted: September 8, 2004
To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator
Lillian Bennett, Director of Human Resources
Subject: Renewal of Health Insurance Coverage for the 2005 Plan Year

Statement of Issue:

This agenda item requests Board approval of the renewal rates and consideration of renewal options for the two group health insurance providers, Capital Health Plan (CHP) and Vista (formerly Health Plan Southeast) for the January 1, 2005 through December 31, 2005 plan year.

Background:

County health insurance costs have continued to rise in recent years. For plan year 2004, the cost of County health insurance increased by 16% for a total cost of \$11.9 million. For plan year 2003, the County experienced an increase of 17%. In spite of these increases, the Board has consistently and generously rewarded employees by maintaining an employee/employer contribution ratio structure of 7.5% and 92.5%, respectively for payment of health insurance premiums. It is important to note that all Constitutional Offices and Retirees also participate in these health plans.

Current health insurance monthly costs and the distribution of those costs between employees and the County are included in Table #1 below.

Table #1
CURRENT MONTHLY HEALTH INSURANCE COSTS
7.5% EMPLOYEE/ 92.5% COUNTY CONTRIBUTION
(7.5% as applied to CHP premiums and applied to Vista plans)

PROVIDER/COVERAGE	EMPLOYEE	COUNTY	TOTAL
CHP - Single	\$ 25.66	\$ 316.14	\$ 342.00
CHP - EE + 1	53.10	654.90	708.00
CHP - Family	67.98	838.42	906.40
Vista - Single	25.66	342.30	367.96
Vista- EE + 1	53.10	708.51	761.61
Vista - Family	67.98	906.98	974.96

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Analysis:

Health Insurance Renewal Rates and Renewal Alternatives

In review of health insurance industry trends staff reviewed articles published by leading insurance industry consulting firms regarding health care cost, plan designs and contribution strategies. These consulting firms determined the rate increases for HMO's would be between 10% and 14% for 2005. Additionally, to reduce cost, companies have increased the co-pays and shifted more burdens upon the employee in cost sharing (Attachment #1). In preparing the 2004-2005 budget, staff anticipated a 15% increase for health insurance premiums. County-wide costs for the current plan year 2004 (Board and all Constitutional Offices) are estimated to be approximately \$11,948,376.

For the 2005 plan year, staff has prepared three (3) alternatives for Board review and consideration. These alternatives are summarized in Table #2 below and are based on current participation levels.

Alternative #1 - This option reflects the Boards current HMO plan structure. There are no changes to the current plan designs for this year. This option would increase overall health insurance premium costs to approximately \$13,625,898 (approximately 14%).

Alternative #2 - This option reflects the Boards current HMO plan structure with changes only in the prescription co-pay amounts as follows:

Increase prescription co-pays from:

- CHP - \$7.00 generic, \$20.00 preferred, \$35.00 non-preferred to \$10, \$25, \$40 respectively
- Vista - \$7.00 generic, \$14.00 preferred \$30.00 non-preferred to \$10, \$25, \$40 respectively

With the reduction of benefits, more cost is shifted to the member; therefore, both plans can offer a reduced premium. This option would increase overall health insurance premium costs to \$13,367,320 (approximately 12%), resulting in a savings of \$258,000 over Alternative #1.

Alternative #3- CHP and Vista also presented Plan P as an alternative. Plan P reduced our current benefits significantly more than Alternatives #1 and #2. Plan P increased copays on prescriptions and certain provided services by \$5 to \$15, and included a \$250 copay for each hospital stay, each in-patient mental health stay and each maternity stay. A summary of the differences in Plan P and the current plan is shown in Attachment #2. Plan P would increase overall health insurance premium cost to \$12,868,250 (approximately 8%), resulting in a savings of \$757,648 over Alternative #1 and a savings of \$499,070 over Alternative #2. Staff has prepared a more detailed 2005 Health Insurance Renewal Comparison as shown in Attachment #3.

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In addition, Plan P is similar to the Plan M selected last year by the State of Florida. The State of Florida's 2005 rates are currently being negotiated; however, the 2004 employee premium cost for family coverage is approximately \$175.96 per month, the City of Tallahassee 2005 proposed employee premium cost for family coverage is \$300.70 per month and the Leon County School Board's 2005 employee premium cost for family coverage is \$428.29 per month (ten month rates). The County's 2005 proposed employee cost for family coverage is \$78.02 per month.

Table #2

Alternate Plan Offerings and Approximate Costs (based on current enrollments)

Alt	Desc. Summary	Benefits Change Summary ¹	Monthly Rates Current & Proposed and Increase (Inc.) Over Current				Estimated Total Costs
			Plan	Single	EE + 1	Family	
Current Monthly Rates/Employee (or Retiree)			CHP Vista	342.00 367.96	708.00 761.61	906.40 974.96	\$11,948,376
#1	Current HMO plan structure	CHP's drug co-pay of \$7-generic, \$20 preferred on formulary, \$35-others. Vista \$7 generic, \$14 pref., \$30 others. Both have \$10 PCP co-pay.	CHP Inc.	392.00 +50.50	812.50 +104.50	1,040.20 +133.80	\$13,625,898 14% inc.
			Vista Inc.	407.64 +39.68	843.74 +82.13	1,080.10 +105.14	
#2	Current HMO plan structure	CHP & Vista co-pays for Rx increase \$10-generic,\$25 preferred on formulary \$40 others.	CHP Inc.	386.40 +44.40	799.90 +91.90	1,024.10 +117.70	\$13,367,320 12% inc.
			Vista Inc.	393.28 +25.32	814.01 +52.40	1,042.04 +67.08	
#3	New Plan P	CHP and Visa co-pays for RX increase as in Alt#2, provider services increase, \$250 co-pay for hospital, mental health and maternity stays	CHP Inc.	374.30 +32.30	744.80 +36.80	991.40 +85.50	\$12,868,250 8% inc.
			Vista Inc	385.80 +17.84	798.54 +36.93	1,022.23 +47.27	
For more detailed benefit comparison, see Attachment #3.							

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The County received a preliminary proposal from United Health Care (United) as another alternative to the County's current plan. The insurer is new to Leon County and their service area was recently approved (August 2004) by the Agency for Health Care Administration. United offers employers many plan options. The plan design proposed to Leon County consists of an HMO and Point of Service (POS) plan. A POS plan is similar to a Preferred Provider Organization (PPO) in that both plans give the member the flexibility to access out of network benefits. United Health Care requires that they become the sole health care insurance provider for the County.

At this time, Tallahassee Memorial Hospital is the only contracted hospital with United; however, United is currently conducting negotiations with Capital Regional Medical Center and other physician groups in the area to become a part of their contracted network of providers. United anticipates completing their provider network by January 2005. In considering United for this year, staff took into account the cost of the plan, the plan design, and the contracted hospitals and physician's network currently available. In addition, staff is aware that more than 30% of Leon County employees (Board and Constitutional) currently use a CHP staff doctor which may be problematic when changing to United. These employees may be required to change to an in-network provider.

United Health Care looks very promising and will bring some needed competition into the health care negotiations process. Staff recommends that the County seriously consider United in negotiations next year, once their hospital and physician networks are complete, and when staff can determine with certainty the impact on Leon County employees who currently utilize CHP staff doctors.

Contribution Strategies (Board Only)

As in years past, Leon County will equalize the employee contribution for each plan offered. Staff recommends that the employee's percentage contribution requirement be applied to the CHP premiums to determine the rate to be paid. This is due to the fact that approximately 82% of the workforce has elected CHP for their health plan and to do otherwise would result in 82% of the workforce paying less than the percentage contribution determined by the Board. However, this recommendation results in Vista members paying a slightly lower percentage of the premium costs for their plan (as Vista's premiums are higher than CHP's).

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Options:

1. Approve the renewal rates reflected in Alternative #1 (Current HMO Plan) for the new plan year (January 2005 through December 31, 2005).
2. Direct staff to include United Health Care in negotiations for the 2006 plan year for County Health Insurance Coverage.
3. Approve the renewal rates reflected in Alternative #2 (Current HMO Plan – Increased Prescription Co-pays) for the new plan year (January 1, 2005 through December 31, 2005).
4. Approve the renewal rates reflected in Alternative #3 (New Plan P – Increased Co-Pays Prescriptions and Services) for the new plan year (January 1, 2005 through December 31, 2005).
5. Board Direction.

Recommendation:

Options #1 and #2.

Attachments:

1. Health Insurance Industry Articles
2. Plan P Differences from Current Plan
3. 2005 Health Insurance Renewal Comparison